

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## Grants for Arms to Dominate U.S. Aid Program

WASHINGTON—Military aid today accounts for almost all American aid abroad. President Truman's message to Congress on May 24, requesting authority to distribute \$8,422,000,000 of overseas assistance in the coming fiscal year, proposed that we give \$6,250,000,000 worth of airplane parts, guns, and other obviously military equipment. The \$2,172,000,000 requested for economic assistance also has a military character. Help to Europe under the Marshall plan—entering the last of the four years which the Administration announced in 1947 would be long enough for the plan to function—is, in President Truman's words, "being directed primarily in support of rearmament." Even the portion of the message dealing with Point Four assistance to underdeveloped countries emphasized that such countries in Asia, South America and Africa "produce strategic materials which are essential to the defense and economic health of the free world."

### Mutual Security Aid

The emphasis on assistance that can increase military power is due not only to the gradual militarization since 1947 of the conflict between the United States and the Soviet Union but also to the Administration's assumption that such an approach to foreign aid impresses Congress more forcibly than requests for simple economic aid. Congress last year accepted all requests for military aid but reduced the amounts the Administration sought for the Marshall plan and Point Four.

The "mutual security program" (general label for all aid) stresses help to Europe above all other areas. President Truman wants for Europe \$1,650,000,000 in

economic help and \$5,240,000,000 in military help; for Asia \$375,000,000 in economic help and \$555,000,000 in military help (Asia meaning the Far East); for the Middle East and Northern Africa \$125,000,000 in economic help and \$415,000,000 in military help; for Latin America \$22,000,000 in economic help and \$40,000,000 in military help (in support of the Treaty of Rio de Janeiro of 1947).

This aid program has some novel aspects. France is to receive more than any other European nation, whereas in the past Britain has been the chief recipient of help. For the first time (except for the emergency food aid last autumn) "economic assistance for Yugoslavia is proposed to help meet its minimum requirements in maintaining strength against the threat of Soviet aggression."

The Administration is taking advantage of the Middle Eastern portion of the program to advocate verbally the development of good relations between Israel and the Arab states. "The fundamental requirement is a regional approach to the basic problems of economic development, . . . urgently needed to reduce existing tensions, especially through the orderly settlement of homeless refugees," the President told Congress. Aside from continuation of the existing inadequate refugee program, however, the drafters of the message set forth no plan to make possible the "regional approach."

All military aid in the Middle East is to go to Greece and Turkey (in continuation of the Truman Doctrine program in effect since the spring of 1947) and to Iran, where "continuing military aid is required to help build internal security and defense."

The aid program for Iran has always been small and thus far not only ineffective but actually a cause of ill-will toward the United States, as a result of comparisons Iranians make between extensive help to Turkey and modest help to Iran.

The Administration intends to divide among the Chinese Nationalists on Formosa, the French and anti-Communist native forces in Indo-China, and the armies of the Philippines and Thailand the military aid which Congress votes for the Far East. The large sums currently being spent on military aid to the army of the Republic of Korea come from the regular appropriation for the American military establishment and will continue to do so as long as the Korean war continues; but almost one-third (\$112,500,000) of the sum sought for economic aid to the Far East would be turned over to the United Nations Reconstruction Agency for the rehabilitation of Korea.

The Far Eastern program thus provides an insight into current considerations of the Administration about United States foreign policy for Asia. The Administration apparently expects the Korean war to end the coming fiscal year (which begins on July 1). It wants Formosa "kept out of the hands of Communist China." The program omits mention of Japan, which the United States hopes to restore soon to formal independence in place of its present subordination to the policies of the occupying powers—yet Japan will need economic help.

### Place for Point Four

The program suggests far more extensive aid to underdeveloped countries than any program of the past. The justification

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to Congress of such aid by the argument that the United States must promote the production of strategic materials vitiates the program in the eyes of some Asian leaders and gives the Soviet Union a new propaganda peg. However, self-governing underdeveloped countries which approve our policy of containing the Soviet Union may accept this approach as simply a disagreeable feature of a generally desirable policy.

The Point Four part of the mutual security aid program promises to be extensive because the President has asked Congress to increase the lending authority of the Export-Import Bank by \$1 billion in order "to assist the economic progress of friendly countries, . . . especially to develop strategic materials." This \$1 billion is in addition to the \$8,422,000,000 in military and economic assistance funds which the President wants. A tiny portion of that \$8,422,000,000 is intended to finance technical assistance to Libya, Ethiopia, Liberia, the Arab states of Asia, other Asian nations and Latin America.

For the drafters of the President's message development of the strategic materials

economy of backward nations does not mean neglect of the economic problems of their inhabitants. "The conditions of the people in the underdeveloped areas would be a matter of humanitarian concern even if our national security were not involved," the message said. "Major improvement in these conditions is necessarily a long-term process in which the countries' own efforts, private investments and public developmental loans should play the largest part. Carefully selected projects of technical assistance and initial development on a grant basis, however, can speed up this process and provide tangible benefits even in the short run."

### *Divided Control*

President Truman has bowed to congressional sentiment not only by stressing the military character of the program but also by abandoning his intention of giving the State Department supervision over the whole program. He made known that intention in April in a letter addressed to the Bureau of the Budget. Members of Congress, who refused in 1948 to give the State Department authority over the Mar-

shall plan, criticized the suggestion, and Mr. Truman heeded the criticism. The new plan of administration calls for the military establishment to handle military aid, the Economic Cooperation Administration to handle economic aid (including the strategic materials under Point Four) for Europe, Africa and Asia, and for the Technical Cooperation Administration to handle Point Four technical assistance in Latin America and elsewhere. TCA is now part of the State Department, but it may be transferred to the Economic Cooperation Administration. The Administration is creating a new committee to coordinate the program. The chairman is to be Thomas D. Cabot, chief of International Security Affairs in the State Department, whose authority would probably depend wholly on his powers of persuasion. Despite the President's concessions, Congress is not expected to approve the mutual security aid program and appropriate funds for it before July 1, but it may pass temporary legislation to keep existing programs in operation until it enacts a new program.

BLAIR BOLLES

## ***Can Law or Diplomacy Solve Iranian Oil Dispute?***

The crisis precipitated by the decision of the Iranian Parliament's lower house, the Majlis, to nationalize the oil fields in southern Iran, developed by the Anglo-Iranian Company under a concession granted in 1908 and revised in 1933, shows as yet no sign of abating. There is still fear in London and Washington that the explosion of nationalism in Teheran may not only plunge Iran into chaos but may ignite the whole Middle East.

### ***British Apprehensions***

The British government, which holds 53 per cent of the shares of the Anglo-Iranian Company and depends on Iran's oil for the fueling of its navy, has resigned itself to the fact of nationalization but strongly objects to its method. Britain contends that the Iranian government violated the 1933 oil concession by unilaterally confiscating the oil fields without submitting the dispute to arbitration, as provided in Article 22 of the concession agreement. The British ambassador in Teheran, Sir Francis Shepherd, has vainly tried to discuss the matter with Iran's Nationalist premier, Dr. Mohammed Mossadegh, who, on the plea that he fears assassination by agents of the Anglo-Iranian Company, has taken refuge in the

parliament building. Suggestions by the United States that Iran would be well advised to negotiate with the British have hitherto been vehemently denounced in Teheran as unwarranted intervention in the country's affairs.

In a May 19 note to Iran Britain had stated that it would file a complaint with the International Court of Justice at The Hague if arbitration "should be rendered illusory." On May 26 both the British government and the Anglo-Iranian Company requested action by the International Court. Britain asked the court to rule that Iran must arbitrate its dispute over the oil fields or be found guilty of violating international law, subject to "full satisfaction and indemnity." Britain and Iran are parties to the so-called "optional clause" of the court's statute, thereby accepting compulsory jurisdiction of the tribunal in any treaty dispute. Iran is thus automatically under obligation to answer the British complaint. The Anglo-Iranian Company, for its part, requested the president of the court to appoint a single arbitrator to settle the dispute under the 1933 agreement. On the same day George Middleton, counselor of the British embassy in Teheran, assured Foreign Minister Bagher Kazemi that Britain's action in appealing to the Inter-

national Court did not preclude direct negotiations between the two countries. On May 28 the Iranian government gave notice that it did not recognize the competence of the Court to act in the oil dispute.

### ***Possible Settlement***

While the British can cogently argue that law is on their side, Iranian nationalists take the view that the grant of a concession to a foreign company, in which that company's government owns a majority of the shares, for the development and sale of its most valuable national resource, constitutes in itself a derogation of sovereignty. Because of the fervor of Iranian nationalist sentiment, which the oil company did not sufficiently take into consideration until the crisis had come to a head, impartial observers believe that Britain will gain little by insisting on strict observance of the letter of the law. If the British are willing to be flexible about legal procedure, and the Iranians are willing to negotiate, a formula might be found for peaceful settlement of the dispute which could satisfy both Iranian susceptibilities and Western Europe's need for Iran's oil.

Such a formula was suggested by the London *Economist* of April 21, which pro-

posed the creation of a new and purely Persian company which would acquire the sole rights to the oil from Anglo-Iranian's present oil fields and would own and operate the wells, pumping stations and pipelines. The Anglo-Iranian Company would then concentrate on refining the oil at the Abadan refinery—the largest in the world—and on marketing it abroad with its fleet of over 150 tankers. Under this proposal the Iranian government would ultimately obtain its revenue not from royalties on the oil extracted, as it has done hitherto, but by selling its own nationalized oil to the Anglo-Iranian Company. Since neither the new Iranian concern nor the Teheran government would have sufficient funds to compensate Anglo-Iranian for the loss of its concession and of an estimated \$800 million worth of equipment, compensation for some years to come would be paid in oil. It might also be agreed that the highly trained British staff would work for the new Persian company during the period when compensation was being paid. Meanwhile, the process of "Persianization" of the oil operations would be speeded up, notably by naming Persian directors on the board of the Anglo-Iranian Company, until the entire

oil business would be in Persian hands.

Such a plan, it is believed, would avert the danger that Western Europe might lose Iranian oil, either through inclusion of Iran in the orbit of the U.S.S.R. or through breakdown of the oil operations under immediate Iranian administration. It would also alleviate the fear expressed by some Britons that American oil interests might in the period of transition attempt to replace the British in managerial and technical posts.

The British government is endeavoring to avoid any military incident in Iran which might be seized upon by Moscow as justification for armed intervention. British paratroopers who, it had been widely rumored, might be sent to protect Anglo-Iranian personnel in the oil fields have instead been dispatched to the island of Cyprus—a 20-day journey—from where, in case of emergency, they could eventually be flown to Abadan. Meanwhile, Russian Ambassador Sadchikov in Teheran is reported to have informed the Iranian government that, even if Britain lands troops in the south, the U.S.S.R. would refrain from invoking the Russo-Iranian treaty of 1921, which permits Moscow to send troops to Iran in case a foreign power at-

tempts to make use of that country as a military base for action against Russia. The onus for appeal to force has thus been squarely placed by Russia on Britain.

Over 40 years ago, in 1907, when neither Britain nor Russia felt strong enough to establish its control over Persia as a whole, the two great powers, at London's suggestion, agreed to establish spheres of influence—Russia in the north, where since 1945 it has been seeking concessions to exploit possible oil resources, and Britain in the south, where British interests obtained in 1908 the concession now held by the Anglo-Iranian Company. Today the powerful element of nationalist feeling—more promptly recognized and capitalized on by Russia than by Britain—has entered the picture, and the Western nations must face the prospect that Russia will encourage Iranian nationalism to create an internal situation in Iran favorable to its own interests. In essence, however, the great-power struggle over Iran continues to be waged in terms of a delicately poised balance of influence and of an increasingly acute concern to retain or gain control over oil, more necessary than ever for peacetime economic development as well as for war.

VERA MICHELES DEAN

## ***Will Elections Strengthen French Government?***

June 17 may well turn out to be a decisive date in the history of Western Europe. On that day the people of France will choose deputies for a new National Assembly. The importance of their decisions stems first from the crucial position of France in the rivalry between East and West and second from the deep-seated issues in French national life that the election may affect.

If Western Europe is to become strong enough to provide security against potential Moscow-directed aggression, the keystone of its strength must be laid in France—not merely because of the population, geography and resources of the French nation, but also because only a strong France can make politically practicable the development of a vigorous regime in West Germany.

### ***For a Stable Executive***

The prospects of building a strong French state depend on the viability of its political regime. The present coalition government of Premier Henri Queuille cannot take long-range action on vital questions because the parties in the cabinet are now more interested in improving their electoral position than in supporting essential

but unpopular measures. In this respect the French situation closely parallels that of the United States in presidential election years. The immediate question that must be answered is whether the elections will produce a stable government to replace the present tenuous coalition arrangement.

From a long-run point of view, however, the June 17 elections may profoundly affect the basic structure of the French political system. The constitution of the Fourth Republic, adopted in 1946, created a system, similar to that of the Third Republic, in which the executive power essentially resides in a parliament, but a parliament without a stable majority. The cabinets are composed, not primarily of men willing and able to guide the vast administrative apparatus, but of men representing diverse political fractions whose collaboration is indispensable to the maintenance of a parliamentary majority. Almost any vital decision involving sacrifices or institutional changes is likely to be opposed by some element in the coalition able to precipitate a cabinet crisis.

French political leaders have constantly advocated fundamental constitutional

changes which, without sacrificing democratic controls, would strengthen the executive power. At one extreme of the political spectrum the Communists, identifying democracy with their self-appointed role as "spearhead of the proletariat," seek to monopolize political power. Observers, however, anticipate a decline in popular support for the Communist party, which—although now the largest party in the Assembly—is determinedly opposed by all other political groups.

Of more immediate significance are the ideas of the government parties—Socialists, Popular Republicans (MRP) and Radical Socialists—and of General Charles de Gaulle's *Rassemblement du Peuple Français* (RPF). The coalition parties hope to improve the present parliamentary machinery by a number of repair operations, notably of the electoral system. The Gaulists seek a more fundamental change which would give greater authority to the executive at the expense, some critics think, of democratic controls.

For more than six months the government parties have urged a modification of the proportional representation system, which not only resulted in the proliferation



of political groups but also appeared likely to increase the power of the extremist opposition parties. Not carrying responsibility for the conduct of government, these groups can make the most extravagant claims and focus their attacks on the weaknesses of the administration. The moderates have advocated changes which would increase the representation of their highly fragmented center parties.

### *Electoral Change*

A compromise measure, adopted May 7 after a six-month parliamentary struggle by a vote of 332 to 248, provides for a modified proportional representation system. Large electoral districts — generally speaking, the departments — are perpetuated, with each party submitting a list as in the previous law. Any list winning a majority will obtain all the seats from the district. Moreover, national parties may submit a joint list, apportioning their seats among themselves proportionally. Should no list win a majority, all parties would divide the seats. Coalition lists might still gain by this arrangement, however, since they can take advantage of support for small groups which could not win seats on a separate list. Since neither the Communists nor the Gaullists are expected to enter electoral alliances, the system should benefit the center parties.

Nevertheless, should the combined Communist and Gaullist vote exceed 50 per cent, as may happen in many districts, the joint list will not be able to win a majority. Sharp rivalries between the center parties, moreover, may well prevent effective alliances in all but about 25 of France's 90 metropolitan departments. Political observers predict that the Communists will lose a fair number of seats and that the Gaullists, who were not organized for the 1946 elections, will obtain a sizeable representation. The MRP will probably lose some deputies to de Gaulle, but predictions regarding the Socialists and Radical Socialists are less clear-cut.

Should de Gaulle win the 200 seats he claims, he might form a government coalition on his own terms. If his support proves unexpectedly small, however, the present Third Force regime may be perpetuated. Should de Gaulle win about 100 seats, however, it might prove impos-

sible to form a government without his support, but the general might not be able to dictate his terms to a coalition. A new governing alliance, necessarily including de Gaulle, would then have to be formed. Neither the MRP nor the Radical Socialists might find it possible to remain for long in an alliance with the strong-willed general, while the latter, once he held the reins of executive power, might be tempted to use extraordinary methods to resolve a parliamentary impasse, seeking in his own way a drastic modification of the present constitutional framework. The Socialists would then be forced into uncomfortable opposition at the side of the Communists, and a dangerous polarization of politics along economic class lines might develop.

While the United States and its North Atlantic allies would welcome the emergence of a stable French government, they also hope for a regime whose ideals and practices coincide with their own. They are consequently perturbed to witness an electoral contest in which the most vigorous candidate for power advances some proposals with which they cannot agree, while the parties which have supported the North Atlantic policy seem to rest on a dwindling popular base. They see in the forthcoming elections, consequently, not only a crisis for the French constitutional system but also an important struggle for supremacy between internationally significant political programs.

FRED W. RIGGS

(The first of two articles on the forthcoming French elections.)

### *For Today's Debate*

One of the *Headline Series'* best-sellers, **WHO MAKES OUR FOREIGN POLICY?**, by Blair Bolles, has been revised and brought up to date to give FPA members an indispensable tool for understanding today's great foreign policy debate. The pamphlet contains added material and revised charts and illustrations to make it more useful than ever. It also includes a new introduction by FPA President Brooks Emeny. Even if you received the original edition in 1947, you will want to order a copy of the revised booklet. 35 cents plus 3 cents postage.

## *News in the Making*

**TIBET SUBMITS TO PEIPING:** Tibet and the Chinese Communists on May 23 signed an agreement in Peiping by which a Chinese army and political mission would take over the defense and foreign policy of the "roof of the world." The Tibetan delegates included representatives of the Dalai Lama, as well as of a Communist-sponsored People's government of Tibet and of the Kumbum Lamasery's claimant for the title of Panchen Lama—a claim upheld by the Chinese Communists. The agreement would preserve Tibet's internal and religious institutions. The Indian government, while not making any major objections to this move, may insist on retaining sovereignty over territory which Chinese maps show as part of Tibet.

**AUSTRIA ELECTS SOCIALIST PRESIDENT:** In the run-off election of May 27 General Theodor Koerner, 78-year-old Socialist mayor of Vienna, was unexpectedly elected president of Austria with a 4 per cent majority over his rival, Dr. Heinrich Gleissner, governor of Upper Austria, of the conservative People's party. The Communists, as well as Nazi-tinged supporters of the previously defeated third candidate, backed General Koerner, a vigorous opponent of communism.

**MONEY TROUBLES:** A report of the International Monetary Fund notified the agency's 49 member nations on May 27 that they would soon be required to eliminate or greatly modify present-day exchange restrictions and other forms of financial controls which lead to trade discrimination. The improved balance of payments and reserve positions of many countries, notably Britain, were given as reasons for the new drive.

**INDONESIAN SOCIALISM:** A new Indonesian government headed by Premier Sukiman Wirjosandjojo on May 28 announced as part of its program proposals to nationalize banks, large estates and other enterprises, many of them foreign owned. The policy statement also pledged the republic to neutrality in the East-West cold war, reconsideration of relations with the Netherlands and continued claim to sovereignty over Dutch New Guinea.

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